

**TAX
YEAR
2017**

**Corporate
Income
Tax**

Hawaii Software Developers and Transmitters Handbook for Corporate Modernized e-File



Release Date: 10/17/2017 (V1.0)



TABLE OF CONTENTS

Table of Contents	2
Section 1: Introduction	4
Section 2: Changes to Note for Tax Year 2017	4
Section 3: Contact Information	5
Section 4: Acceptance And Participation	6
4.1 Software Developers.....	6
4.2 Direct transmitters.....	6
Section 5: Responsibilities	7
5.1. Integrity.....	7
5.2. Compliance	7
5.3. Accuracy	7
5.4. Timeliness of Filing.....	7
5.5. Software Acceptance, Testing and Approval	7
5.5.1. Testing Period.....	8
5.5.2. Procedures for Testing	8
5.5.3. Independent Testing	8
Section 6: Acknowledgement System	8
Section 7: General Information	10
7.1 MeF Supported Binary Attachments	10
7.1.1. Hawaii Corporation Forms, Schedules and Worksheets	10
7.1.2. Hawaii S Corporation Forms, Schedules and Worksheets	11
7.1.3. IRS Forms	11
7.2. Signature Requirements	11
7.3. Payment Methods.....	12
7.4. Data Requirements	12
7.5. Types of Filings Accepted.....	12
7.6. Decimal Places for Ratios	12



7.7. Handling of Attachments12

7.8. Edits and Verifications12

7.9. General Exclusions from Electronic Filing13

Section 8: Schemas and Transmission Specifications..... 13

Section 9: Handbook Updates 13



SECTION 1: INTRODUCTION

The State of Hawaii, Department of Taxation (DOTAX), in conjunction with the Internal Revenue Service (IRS), accepts state Corporate Income Tax returns and corresponding forms and schedules using the Modernized E-File (MeF) system. DOTAX supports "linked" and "unlinked" submissions.

The current schema package approved for production is: **HiBusiness2017V1.0**.

To participate in the Hawaii MeF Program, software developers must adhere to the guidance in this handbook. All IRS requirements must also be met to participate in the Hawaii MeF program. However, this handbook does not represent the requirements and procedures issued by the IRS. For more information and technical guidance refer to the IRS MeF User Guides and Publications at www.irs.gov.

For more details regarding the preparation of Hawaii corporate income tax returns, including forms, schedules and instructions refer to our Electronic Services' website at tax.hawaii.gov.

SECTION 2: CHANGES TO NOTE FOR TAX YEAR 2017

- Hawaii has conformed to certain provisions of the IRC, as amended as of December 31, 2016. (Act 95, SLH 2017)
- The Cesspool Upgrade, Conversion, or Connection Income Tax Credit has been amended by expanding the definition of "qualified cesspool" in section 235-16.5, HRS. Addition, all cesspools in the State are required to be upgraded prior to January 1, 2050 unless there is an exemption granted by the Director of Health. (Act 125, SLH 2017)
- The Motion Picture, Digital Media, and Film Production Income Tax Credit has been amended for taxable years beginning after December 31, 2018 by: changing the qualifications a production must meet in order to claim the Motion Picture, Digital Media, and Film Production Income Tax Credit; imposing a cap on the amount of tax credit that may be claimed at \$35,000,000 per year; extending the sunset date to January 1, 2026; and requiring that film productions claiming the tax credit must obtain a verification review of qualified production costs by a certified public accountant. (Act 143, SLH 2017)
- The Ethanol Facility Tax Credit has been repealed and a new, nonrefundable Renewable Fuels Production Tax Credit has been established for taxable years beginning after December 31, 2016. The credit is available for five consecutive years beginning with the first taxable year the taxpayer claiming the credit begins producing at least 15 billion British thermal units of renewable fuel per year. The Department of Business, Economic Development, and Tourism (DBEDT) must certify all claims for the credit, which cannot exceed \$3,000,000 in any given year. (Act 202, SLH 2016)
- The Renewable Fuels Production Tax Credit has been amended by requiring the taxpayer to complete and file an independent, third-party-certified statement with DBEDT for taxable years beginning after December 31, 2017. (Act 142, SLH 2017)
- The Capital Infrastructure Tax Credit has been amended to include structures, machinery, equipment and capital assets in the definition of capital infrastructure costs, increase the cap on the credit from \$1,250,000 to \$2,500,000, allow qualified infrastructure tenants to create special purpose entities, and specify that any excess credit may be carried forward. The credit was also amended to require a recapture of the credit if the qualified infrastructure tenant fails to relocate within a certain period of time after executing a lease with the Department of



Transportation, specifies taxpayer reporting requirements, and provides penalties for failure to report information. (Act 213, SLH 2017)

- A new, nonrefundable Organic Foods Production Tax Credit has been established for taxable years beginning after December 31, 2016 and is repealed on December 31, 2021. This credit is for qualified expenses associated with the production or handling of organic foods. The tax credit is equal to the qualified expenses of the taxpayer, which must be certified by the Department of Agriculture, up to \$50,000. (Act 258, SLH 2016)

SECTION 3: CONTACT INFORMATION

1. The contact information provided below is strictly for software developers and transmitters' testing inquiries.

Testing Inquiries:

Contact: Electronic Processing Testing Group
E-mail address: tax.efile.test@hawaii.gov

2. Transmitters experiencing problems with State acknowledgements and other related production inquiries should contact the Electronic Processing Section.

Production Inquiries:

Contact: Electronic Processing Section
E-mail address: tax.efile@hawaii.gov
Mailing Address: State of Hawaii Department of Taxation
P.O. Box 259
Honolulu, HI 96809-0259
Attn: Electronic Filing Processing Section

Our contact hours are Monday through Friday, 8:00 a.m. to 4:00 p.m. Hawaii Standard Time. Our office will be closed on weekends and on all National and State of Hawaii holidays.

Holidays	2017	2018
New Year's Day		Jan. 1, Monday
Dr. Martin Luther King, Jr. Day		Jan. 15, Monday
Presidents' Day		Feb. 19, Monday
Prince Jonah Kuhio Kalaniana'ole Day		Mar. 26, Monday
Good Friday		Mar. 30, Friday
Memorial Day		May 28, Monday
King Kamehameha Day		June 11, Monday
Independence Day		July 4, Wednesday
Statehood Day		Aug. 17, Friday
Labor Day		Sept. 3, Monday
General Election Day	n/a	Nov. 6, Tuesday
Veterans' Day	Nov. 10, Friday	Nov. 12, Monday
Thanksgiving	Nov. 23, Thursday	Nov. 22, Thursday
Christmas	Dec. 25, Monday	Dec. 25, Tuesday



SECTION 4: ACCEPTANCE AND PARTICIPATION

In order to participate in the Hawaii MeF program, each year software developers and direct transmitters must provide the information requested below. Otherwise, any submitted test returns will be automatically rejected.

4.1 SOFTWARE DEVELOPERS

DOTAX requires submission of the Intent to Participate in the Hawaii MeF Program Corporation – Tax Year 2017 (Form EF-8).

Please e-mail DOTAX at tax.efile.test@hawaii.gov and attach a completed Form EF-8 for each supported product / test ETIN; please include your test ETIN in the subject of the e-mail. Upon receipt of completed Form EF-8, an acknowledgement e-mail along with our current schemas and business rules will be released. When DOTAX Assurance Testing System (ATS) testing is ready, you will receive a confirmation e-mail notifying you that you may begin testing. Do not transmit any test returns until you receive a confirmation e-mail from DOTAX that testing can begin; otherwise they will be rejected.

Software developers must pass ATS and receive approval by DOTAX. DOTAX reserves the right to deny a request to participate in Hawaii's MeF program (Form EF-8). Live returns submitted prior to the completion of ATS will be rejected.

4.2 DIRECT TRANSMITTERS

Direct transmitters must use an approved third party software product, please e-mail the following information to tax.efile@hawaii.gov, and include the "Direct Transmitter Info" in the subject of the e-mail. Please do not transmit any returns until you receive a confirmation e-mail from DOTAX that your set-up is completed, otherwise submissions will be rejected.

1. Direct transmitter's company name and address
2. Direct transmitter's contact name
3. Direct transmitter's contact number
4. Direct transmitter's ETIN
5. Approved software product name
6. Approved software ID



SECTION 5: RESPONSIBILITIES

Developers, Transmitters, and Electronic Return Originators (ERO) must abide by the terms in this handbook and maintain a high degree of integrity, compliance, and accuracy to remain in the Hawaii MeF Program.

5.1. INTEGRITY

Responsible for verifying that the DOTAX return has been properly prepared, validated by the IRS, and received by DOTAX. Must ensure that the DOTAX acknowledgements are received.

DOTAX strongly recommends that developers provide the data requested in the authentication header.

5.2. COMPLIANCE

All requirements and specifications in the IRS Modernized e-File (MeF) User Guides, Publications, and the DOTAX MeF Handbook must be met.

Unauthorized access, possession or disclosure of confidential taxpayer information can result in severe Federal and Hawaii criminal and civil penalties in accordance with sections 231, 235, 237, 237D, 487N and 708-839.55, Hawaii Revised Statutes (HRS).

5.3. ACCURACY

Provide a complete and accurate copy of the return to the taxpayer according to the guidelines set by the IRS.

5.4. TIMELINESS OF FILING

Must ensure electronic returns are filed in a timely manner. The date of transmission will be the filing date for accepted DOTAX returns. If the due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular work day.

- Returns are due on or before the 20th day of the 4th month following the close of the taxable year.
- If you do not have any additional taxes to pay by the due date, you are not required to file a Form N-301 as there is an automatic 6-month extension of time to file when no payment is due. Go to hitax.hawaii.gov to file a Form N-301 with a payment to request a 6-month extension of time to file the return by the regular due date of the corporate return. The extension of time to file is not an extension of time to pay and any extension will be invalidated if the properly estimated tax liability is not paid by the prescribed due date of the return.

5.5. SOFTWARE ACCEPTANCE, TESTING AND APPROVAL

The Hawaii Test Packages for Corporate MeF, Publication EF-11 (PUB EF-11) consists of 8 test scenarios.

- 4 test scenarios are required for software that supports Form N-30.
- 4 test scenarios are required for software that supports Form N-35.

Test scenarios are provided in PUB EF-11, which upon receipt of completed Form EF-8, an acknowledgement e-mail along with our current schemas and business rules will be released.



5.5.1. TESTING PERIOD

2017 ATS Testing begins on – IRS ATS open date (*subject to change*)

5.5.2. PROCEDURES FOR TESTING

The Electronic Processing Testing Group will notify software developers by e-mail when their testing can begin.

To make a request for ATS test verification, e-mail the following to:

tax.efile.test@hawaii.gov (*note: include your test ETIN in the subject line*):

1. Date of submission
2. Number of submissions
3. Submission ID(s) (*note: send submission ID list in plain text format*)

Note: Transmissions with a rejected status cannot be verified for ATS testing. Ensure that your transmissions have an accepted submission status before sending the e-mail.

Pass/Fail testing

1. DOTAX will verify test scenarios in a timely manner:
 - November through January usually within 5 to 7 business days of receipt.
 - All other months usually within 10 to 15 business days of receipt.
2. An "Accepted" acknowledgement means that your submission has been validated against DOTAX's schemas and business rules, and accepted for processing. However, the submission must still be checked against the test scenarios. An e-mail from tax.efile.test@hawaii.gov will be sent indicating the status of the test results.
 - PASS – The test scenario(s) was received and passed the testing process. No further action is required for that test scenario.
 - FAIL – The test scenario(s) was received but failed the testing process. Please make the necessary corrections and resubmit the failed test scenario(s) only.
3. When testing has successfully been completed, DOTAX will inform you by e-mail.
4. DOTAX reserves the right to require the software developers to re-test their products at DOTAX's discretion.

5.5.3. INDEPENDENT TESTING

After passing ATS testing with DOTAX, software developers may conduct independent testing using their own data. Please use the same taxpayer entity information (i.e. names and FEIN numbers) provided in the test scenarios. The independent test submissions are not verified by the Electronic Processing Testing Group. Any inquiries regarding independent test results should be sent via e-mail. Please include your test ETIN in the subject of the e-mail.

SECTION 6: ACKNOWLEDGEMENT SYSTEM

1. All data transmitted through the MeF system must be in accordance with the DOTAX schemas and business rules documents, which are released via e-mail.
2. Upon receiving the submission, DOTAX will generate a receipt to the IRS. After processing the submission, DOTAX will send an acknowledgement of acceptance or rejection within two business days.



3. For linked submissions DOTAX will generate a separate acknowledgment from the IRS acknowledgment. Receiving an IRS acknowledgment does not mean that DOTAX acknowledges receipt of the state income tax return.
4. Allow at least three business days from the received date before contacting the Electronic Processing Section for inquiries regarding the status of the submission. Please provide the following information:
 - a. Corporation Name
 - b. Corporation FEIN
 - c. Transmission Date
 - d. Submission ID
5. After production begins, software developers must be available to correct any software errors that may arise, and work with DOTAX to follow up on any processing issues. Any new release of software must be done in a timely manner, with proper notification to all customers.
6. DOTAX reserves the right to reject submissions and to require retesting of product(s) at DOTAX's discretion.



SECTION 7: GENERAL INFORMATION

7.1 MEF SUPPORTED BINARY ATTACHMENTS

Please note: If any attachments required in the instructions for the Forms N-30 and N-35 are not listed below as *separate* binary attachments, those attachments should be included as part of the binary attachment file for the Form N-30 or N-35.

7.1.1. HAWAII CORPORATION FORMS, SCHEDULES AND WORKSHEETS

File Names begin with	Description
ReturnN30	Form N-30: Corporation Income Tax Return
FormN163	Form N-163: Fuel Tax Credit for Commercial Fishers
FormN312	Form N-312: Capital Goods Excise Tax Credit
FormN323	Form N-323: Carryover of Tax Credit
FormN330	Form N-330: School Repair and Maintenance Tax Credit
FormN338	Form N-338: Recapture of the Tax Credit for Flood Victims
FormN340	Form N-340: Motion Picture, Digital Media, and Film Production Tax Credit
FormN342	Form N-342: Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009)
FormN342A	Form N-342A: Information Statement Concerning Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009)
FormN342B	Form N-342B: Composite Schedule For Form N-342A
FormN342C	Form N-342C: Composite Schedule For Form N-342
FormN344	Form N-344: Important Agricultural Land Qualified Agricultural Cost Tax Credit
FormN346	Form N-346: Tax Credit for Research Activities
FormN346A	Form N-346A: Certified Statement of Research and Development Costs Incurred By a Qualified High Technology Business (QHTB) and Claim of the Tax Credit for Research Activities
FormN348	Form N-348: Capital Infrastructure Tax Credit
FormN350	Form N-350: Cesspool Upgrade, Conversion or Connection Income Tax Credit
FormN352	Form N-352: Renewable Fuels Production Tax Credit
FormN354	Form N-354: Organic Foods Production Tax Credit
FormN586	Form N-586: Tax Credit for Low-Income Housing
FormN756	Form N-756: Enterprise Zone Tax Credit
FormN756A	Form N-756A: Information Statement Concerning the Enterprise Zone Tax Credit
FormN884	Form N-884: Credit for Employment of Vocational Rehabilitation Referrals
CombinedReturnListAndWorksheet	(No Form #): Combined Return List and Worksheet
DBEDTCertificate	RFPTC – Credit Certification: RFPTC – Credit Certification
ScheduleCR	Schedule CR: Schedule of Tax Credits
ScheduleD	Schedule D Form N-30/ Form N-70NP: Capital Gains and Losses
ScheduleO	Schedule O Form N-30: Allocation and Apportionment of Income
ScheduleP	Schedule P Form N-30: Apportionment Formula



7.1.2. HAWAII S CORPORATION FORMS, SCHEDULES AND WORKSHEETS

File Names begin with	Description
ReturnN35	Form N-35: S Corporation Income Tax Return
FormN163	Form N-163: Fuel Tax Credit for Commercial Fishers
FormN312	Form N-312: Capital Goods Excise Tax Credit
FormN323	Form N-323: Carryover of Tax Credit
FormN330	Form N-330: School Repair and Maintenance Tax Credit
FormN338	Form N-338: Recapture of the Tax Credit for Flood Victims
FormN340	Form N-340: Motion Picture, Digital Media, and Film Production Tax Credit
FormN342	Form N-342: Renewable Energy Technologies Income Tax Credit for Systems Placed in Service on or after July 1, 2009
FormN342A	Form N-342A: Information Statement Concerning Renewable Energy Technologies Income Tax Credit For Systems Installed and Place In Service On Or After July 1, 2009
FormN342B	Form N-342B: Composite Schedule For Form N-342A
FormN342C	Form N-342C: Composite Schedule For Form N-342
FormN344	Form N-344: Important Agricultural Land Qualified Agricultural Cost Tax Credit
FormN346	Form N-346: Tax Credit for Research Activities
FormN346A	Form N-346A: Certified Statement of Research and Development Costs Incurred By a Qualified High Technology Business (QHTB) and Claim of the Tax Credit for Research Activities
FormN348	Form N-348: Capital Infrastructure Tax Credit
FormN350	Form N-350: Cesspool Upgrade, Conversion or Connection Income Tax Credit
FormN352	Form N-352: Renewable Fuels Production Tax Credit
FormN354	Form N-354: Organic Foods Production Tax Credit
FormN586	Form N-586: Tax Credit for Low-Income Housing
FormN756	Form N-756: Enterprise Zone Tax Credit
FormN756A	Form N-756A: Information Statement Concerning the Enterprise Zone Tax Credit
FormN884	Form N-884: Credit for Employment of Vocational Rehabilitation Referrals
DBEDTCertificate	RFPTC – Credit Certification: RFPTC – Credit Certification
ScheduleD	Schedule D Form N-35: Capital Gains and Losses and Built-in Gains

7.1.3. IRS FORMS

File Names begin with	Description
State1099B	1099-B: Proceeds From Broker and Barter Exchange Transactions
State1099G	1099-G: Certain Government Payments
State1099K	1099-K: Payment Card and Third Party Network Transactions
State1099Int	1099-INT: Interest Income
State1099Misc	1099-MISC: Miscellaneous Income
State1099DIV	1099-DIV: Dividends and Distributions
State1099OID	1099-OID: Original Issue Discount

7.2. SIGNATURE REQUIREMENTS

In accordance with HRS §231-8.5, the act of electronic filing constitutes a taxpayer's signature to the return, without the need for a PIN or other documentation.

HRS §231-8.5:

"The department may allow filing by electronic, telephonic, or optical means of any tax return, application, report, or other document required under the provisions of title 14 administered by the department. The date of filing shall be the date the tax return, application, report, or other document is transmitted to the department in a form and manner prescribed by departmental rules adopted pursuant to chapter 91. The



department may determine alternative methods for the signing, subscribing, or verifying of a tax return, application, report, or other document that shall have the same validity and consequences as the actual signing by the taxpayer. A filing under this section shall be treated in the same manner as a filing subject to the penalties under section 231-39."

Each taxpayer must be informed that the act of electronically filing a tax return constitutes his/her signature. Print the following taxpayer declaration as part of the taxpayer's copy of the return:

"I understand and accept, pursuant to section 231-8.5, HRS, that filing this return electronically constitutes my signature to the return having the same validity and consequences as the actual signing of the return."

7.3. PAYMENT METHODS

DOTAX supports Automated Clearing House (ACH) debit. Currently, International Automated Clearing House Transactions (IAT) are not supported for payments. A payment can be submitted from a single bank or other financial institution account.

DOTAX does not support post-dated payments.

7.4. DATA REQUIREMENTS

All required data elements must contain a value (even if it is zero). Optional data elements that have no value (blank) must not be present in the submission. Optional data elements may have zero values if specified in the instructions.

7.5. TYPES OF FILINGS ACCEPTED

DOTAX accepts Linked (Federal/State) and Unlinked (State Only) submissions.

7.6. DECIMAL PLACES FOR RATIOS

Requirements are provided in the XML schema documents.

7.7. HANDLING OF ATTACHMENTS

Binary attachments are only used in specific situations when XML documents are not applicable. The binary attachments we are currently accepting are listed in Section 7.1

7.8. EDITS AND VERIFICATIONS

Error Categories:

- Data Validation Error
- Incorrect Data
- Missing Document
- Not Supported Data
- XML Error

Severity:

- Reject
- Reject and Stop



7.9. GENERAL EXCLUSIONS FROM CORPORATE ELECTRONIC FILING

1. Returns prior to tax year 2017
2. Returns other than N-30 and N-35
3. Returns that require attachment of forms or schedules that are not supported by the State of Hawaii MeF program
4. Returns with "Applied For" federal employer identification number
5. Post-dated payments

SECTION 8: SCHEMAS AND TRANSMISSION SPECIFICATIONS

The approved XML schemas package and business rules are no longer available on our Electronic Services' website. Please refer to Section 4.1. for instructions. New releases will be available on or before October 31st of each year.

SECTION 9: HANDBOOK UPDATES

Document Version Number	Updates
V1.0	Original Document